



NORTHERN VERTEX  
MINING CORP

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2019 and 2018

(Expressed in United States Dollars)  
(Unaudited)

# NORTHERN VERTEX MINING CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

(Unaudited)

|   | Note  | December 31<br>2019 | June 30<br>2019  |
|---|-------|---------------------|------------------|
| <b>ASSETS</b>                                     |       |                     |                  |
| <b>Current assets</b>                             |       |                     |                  |
| Cash  |       | \$ 3,328            | \$ 3,444         |
| Trade and other receivables                       | 4     | 22                  | 25               |
| Inventory   | 5     | 21,302              | 20,640           |
| Prepaid expenses and deposits                     |       | 220                 | 624              |
| <b>Total current assets</b>                       |       | <b>24,872</b>       | <b>24,733</b>    |
| <b>Non-current assets</b>                         |       |                     |                  |
| Restricted cash                                   |       | 868                 | 868              |
| Plant and equipment                               | 6     | 42,034              | 43,786           |
| Mineral properties                                | 6     | 28,566              | 29,370           |
| <b>Total assets</b>                               |       | <b>\$ 96,340</b>    | <b>\$ 98,757</b> |
| <b>LIABILITIES</b>                                |       |                     |                  |
| <b>Current liabilities</b>                        |       |                     |                  |
| Trade and other payables                          | 7     | \$ 9,764            | \$ 7,453         |
| Current portion of debt                           | 8, 26 | 10,142              | 8,989            |
| Current portion of leases                         | 9     | 2,045               | 1,551            |
| Current portion of silver stream                  | 10    | 6,108               | 4,450            |
| Gold call options                                 | 11    | -                   | 1,349            |
| Current portion of derivatives                    | 13    | 999                 | -                |
| <b>Total current liabilities</b>                  |       | <b>29,058</b>       | <b>23,792</b>    |
| <b>Non-current liabilities</b>                    |       |                     |                  |
| Debt  | 8     | 4,417               | 4,205            |
| Leases  | 9     | 2,383               | 3,326            |
| Silver stream                                     | 10    | 14,967              | 16,219           |
| Provision for reclamation                         | 12    | 2,297               | 2,198            |
| Derivatives                                       | 13    | 8,818               | 4,565            |
| <b>Total liabilities</b>                          |       | <b>61,940</b>       | <b>54,305</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                     |                  |
| Share capital                                     | 14    | 56,003              | 55,746           |
| Equity reserves                                   | 14    | 24,156              | 23,741           |
| Deficit   |       | (45,759)            | (35,035)         |
| <b>Total shareholders' equity</b>                 |       | <b>34,400</b>       | <b>44,452</b>    |
| <b>Total liabilities and shareholders' equity</b> |       | <b>\$ 96,340</b>    | <b>\$ 98,757</b> |

Nature of operations and going concern

1

Commitments

24

Subsequent Events

26

Approved and authorized on behalf of the Board (Note 2):

"Kenneth Berry"

Director

"David Farrell"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# NORTHERN VERTEX MINING CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended December 31, 2019 and 2018

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

(Unaudited)

|  | Note | For the Three Months Ended |                    | For the Six Months Ended |                    |
|--|------|----------------------------|--------------------|--------------------------|--------------------|
|  |      | December 31,               |                    | December 31,             |                    |
|  |      | 2019                       | 2018               | 2019                     | 2018               |
| <b>Revenue</b>                                       | 15   | \$ 11,253                  | \$ 5,792           | \$ 25,803                | \$ 6,976           |
| <b>Cost of sales</b>                                 |      |                            |                    |                          |                    |
| Production costs                                     | 16   | (8,231)                    | (4,895)            | (18,062)                 | (5,787)            |
| Depletion and depreciation                           | 6    | (2,466)                    | (1,135)            | (5,766)                  | (1,313)            |
| Royalties  |      | (679)                      | (365)              | (1,612)                  | (447)              |
|  |      | (11,376)                   | (6,395)            | (25,440)                 | (7,547)            |
| <b>(Loss) earnings from mine operations</b>          |      | <b>(123)</b>               | <b>(603)</b>       | <b>363</b>               | <b>(571)</b>       |
| Corporate administrative expenses                    | 17   | (642)                      | (592)              | (1,372)                  | (1,350)            |
| <b>Operating loss</b>                                |      | <b>(765)</b>               | <b>(1,195)</b>     | <b>(1,009)</b>           | <b>(1,921)</b>     |
| Finance costs  | 18   | (4,170)                    | (4,240)            | (9,640)                  | (4,761)            |
| Foreign exchange (loss) gain                         |      | (145)                      | 169                | (75)                     | 269                |
| <b>Net loss for the period</b>                       |      | <b>(5,080)</b>             | <b>(5,266)</b>     | <b>(10,724)</b>          | <b>(6,413)</b>     |
| Foreign currency translation                         |      | -                          | -                  | -                        | (83)               |
| <b>Loss and Comprehensive loss for the period</b>    |      | <b>\$ (5,080)</b>          | <b>\$ (5,266)</b>  | <b>\$ (10,724)</b>       | <b>\$ (6,496)</b>  |
| <b>Basic and diluted loss per share</b>              |      | <b>\$ (0.02)</b>           | <b>\$ (0.03)</b>   | <b>\$ (0.04)</b>         | <b>\$ (0.03)</b>   |
| <b>Weighted average number of shares outstanding</b> |      | <b>246,651,791</b>         | <b>192,431,629</b> | <b>246,201,764</b>       | <b>186,473,351</b> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NORTHERN VERTEX MINING CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

|   | Notes | Number of Shares   | Equity Reserves  |                      |                  |  |                                   | Total Equity Reserves | Deficit            | Total Equity     |
|---|-------|--------------------|------------------|----------------------|------------------|--|-----------------------------------|-----------------------|--------------------|------------------|
|   |       |                    | Share Capital    | Share Option Reserve | Warrant Reserve  | Equity Component of Convertible Debentures | Other Comprehensive Income (Loss) |                       |                    |                  |
| <b>Balance, June 30, 2018*</b> <i>(Restated - Note 3)</i> |       | <b>180,308,552</b> | <b>\$ 46,893</b> | <b>\$ 5,695</b>      | <b>\$ 21,928</b> | <b>\$ 1,052</b>                            | <b>\$ (5,660)</b>                 | <b>\$ 23,015</b>      | <b>\$ (21,056)</b> | <b>\$ 48,852</b> |
| Shares issued for:  |       |                    |                  |                      |                  |  |                                   |                       |                    |                  |
| Private placements  | 14    | 44,596,666         | 5,617            | -                    | -                | -  | -                                 | -                     | -                  | 5,617            |
| Convertible debt interest payment                         | 8     | 620,395            | 122              | -                    | -                | -  | -                                 | -                     | -                  | 122              |
| Long term debt fees                                       | 8     | 4,116,759          | 933              | -                    | -                | -  | -                                 | -                     | -                  | 933              |
| Conversion of convertible debentures                      | 8     | 500,000            | 173              | -                    | -                | (39)                                       | -                                 | (39)                  | -                  | 134              |
| Share-based payments                                      | 14    | -                  | -                | 114                  | -                | -  | -                                 | 114                   | -                  | 114              |
| Foreign currency translation                              |       | -                  | -                | -                    | -                | -  | (83)                              | (83)                  | -                  | (83)             |
| Net loss  |       | -                  | -                | -                    | -                | -  | -                                 | -                     | (6,413)            | (6,413)          |
| <b>Balance, December 31, 2018</b>                         |       | <b>230,142,372</b> | <b>\$ 53,738</b> | <b>\$ 5,809</b>      | <b>\$ 21,928</b> | <b>\$ 1,013</b>                            | <b>\$ (5,743)</b>                 | <b>\$ 23,007</b>      | <b>\$ (27,469)</b> | <b>\$ 49,276</b> |
| <b>Balance, June 30, 2019</b>                             |       | <b>245,751,737</b> | <b>\$ 55,746</b> | <b>\$ 6,543</b>      | <b>\$ 21,928</b> | <b>\$ 1,013</b>                            | <b>\$ (5,743)</b>                 | <b>\$ 23,741</b>      | <b>\$ (35,035)</b> | <b>\$ 44,452</b> |
| Shares issued for:  |       |                    |                  |                      |                  |  |                                   |                       |                    |                  |
| Convertible debt interest payment                         | 8     | 670,000            | 130              | -                    | -                | -  | -                                 | -                     | -                  | 130              |
| Director fees   |       | 704,166            | 127              | -                    | -                | -  | -                                 | -                     | -                  | 127              |
| Share-based payments                                      | 14    | -                  | -                | 415                  | -                | -  | -                                 | 415                   | -                  | 415              |
| Net loss  |       | -                  | -                | -                    | -                | -  | -                                 | -                     | (10,724)           | (10,724)         |
| <b>Balance, December 31, 2019</b>                         |       | <b>247,125,903</b> | <b>\$ 56,003</b> | <b>\$ 6,958</b>      | <b>\$ 21,928</b> | <b>\$ 1,013</b>                            | <b>\$ (5,743)</b>                 | <b>\$ 24,156</b>      | <b>\$ (45,759)</b> | <b>\$ 34,400</b> |

\*Restated due to the Company's change in presentation currency to USD on October 1, 2018 (Note 3)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NORTHERN VERTEX MINING CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Three and Six Months Ended December 31, 2019 and 2018  
(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

|  | Note | For the Three Months<br>Ended December 31, |                | For the Six Months<br>Ended December 31, |                 |
|--|------|--|----------------|--|-----------------|
|  |      | 2019                                       | 2018           | 2019                                     | 2018            |
| <b>Cash flows from operating activities</b>            |      |  |                |  |                 |
| Net loss for the period                                |      | \$ (5,080)                                 | \$ (5,266)     | \$ (10,724)                              | \$ (6,413)      |
| Items not affecting cash:                              |      |  |                |  |                 |
| Share-based compensation                               | 14   | 270  | 43             | 531                                      | 114             |
| Other shared-based payments                            |      | 127  | -              | 127                                      | -               |
| Depletion and depreciation                             | 6    | 2,467                                      | 1,136          | 5,766                                    | 1,317           |
| Fair value loss on gold call options                   | 11   | -  | 546            | 613                                      | 634             |
| Fair value change on derivatives                       | 18   | 2,280                                      | 551            | 5,211                                    | 551             |
| Interest expense, including accretion and issue costs  | 18   | 1,868                                      | 3,143          | 3,521                                    | 3,576           |
| Drawdown of silver stream                              |      | (817)                                      | -              | (1,516)                                  | -               |
| Unrealized foreign exchange (gain) loss                |      | 136  | (245)          | 35                                       | (321)           |
| Changes in non-cash working capital:                   |      |  |                |  |                 |
| Trade and other receivables                            |      | 3  | 9              | 3  | 10              |
| Inventory  | 16   | (1,649)                                    | (3,750)        | (1,094)                                  | (5,455)         |
| Prepaid expenses and deposits                          |      | (15)                                       | 31             | 152                                      | 183             |
| Trade and other payables                               |      | 513  | 887            | 826                                      | 2,310           |
| <b>Cash provided by (used in) operating activities</b> |      | <b>103</b>                                 | <b>(2,915)</b> | <b>3,451</b>                             | <b>(3,494)</b>  |
| <b>Cash flows from financing activities</b>            |      |  |                |  |                 |
| Proceeds from debt, net                                |      | -  | 4,825          | -  | 4,825           |
| Proceeds from silver stream, net                       |      | -  | 19,615         | -  | 19,615          |
| Repayment of debt                                      |      | (688)                                      | (20,912)       | (876)                                    | (20,935)        |
| Repayment of leases                                    |      | (303)                                      | (5)            | (312)                                    | (416)           |
| Issuance of share capital                              |      | -  | 7,932          | -  | 7,932           |
| Interest paid  |      | (315)                                      | (912)          | (702)                                    | (1,680)         |
| <b>Cash (used in) provided by financing activities</b> |      | <b>(1,308)</b>                             | <b>10,543</b>  | <b>(1,890)</b>                           | <b>9,341</b>    |
| <b>Cash flows from investing activities</b>            |      |  |                |  |                 |
| Mineral property expenditures                          |      | (868)                                      | (1,448)        | (1,040)                                  | (1,597)         |
| Restricted cash  |      | -  | 30             | -  | 30              |
| Plant and equipment expenditures                       |      | (432)                                      | (406)          | (625)                                    | (2,585)         |
| <b>Cash used in investing activities</b>               |      | <b>(1,300)</b>                             | <b>(1,824)</b> | <b>(1,665)</b>                           | <b>(4,152)</b>  |
| <b>Effect of foreign exchange on cash</b>              |      | <b>(28)</b>                                | <b>221</b>     | <b>(12)</b>                              | <b>263</b>      |
| <b>(Decrease) increase in cash during the period</b>   |      | <b>(2,533)</b>                             | <b>6,025</b>   | <b>(116)</b>                             | <b>1,958</b>    |
| <b>Cash, beginning of the period</b>                   |      | <b>5,861</b>                               | <b>1,653</b>   | <b>3,444</b>                             | <b>5,720</b>    |
| <b>Cash, end of the period</b>                         |      | <b>3,328</b>                               | <b>7,678</b>   | <b>\$ 3,328</b>                          | <b>\$ 7,678</b> |

Supplemental disclosure of non-cash activities 19

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# NORTHERN VERTEX MINING CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### For the Three and Six Months Ended December 31, 2019 and 2018

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

#### 1 Nature of Operations and Going Concern

##### *Nature of operations*

Northern Vertex Mining Corp. (the "Company") is incorporated under the laws of the province of British Columbia, Canada and its principal business activity is the exploration, development and production of precious metals. The address of the Company's registered office is Suite 1650 – 1075 West Georgia Street, Vancouver, British Columbia, Canada.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona which transitioned to commercial production on September 1, 2018.

##### *Going concern*

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations of the Moss Mine are dependent on the Company's ability to generate sufficient cash flow from production.

To continue operations at the Moss Mine, the Company may require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These condensed interim consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As at December 31, 2019 and June 30, 2019 the Company had the following working capital and deficit balances:

|                           | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|---------------------------|------------------------------|------------------|
| Working capital (deficit) | \$ <b>(4,186)</b>            | \$ 941           |
| Deficit                   | \$ <b>(45,759)</b>           | \$ (35,035)      |

# **NORTHERN VERTEX MINING CORP.**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Three and Six Months Ended December 31, 2019 and 2018**

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

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#### **2 Statement of compliance**

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and do not include all of the information required for full annual financial statements prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on February 27, 2020.

#### **3 Significant accounting policies**

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2019 except as noted below. These condensed interim consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2019.

##### **Presentation currency**

On October 1, 2018, the Company elected to change its presentation currency from Canadian dollars ("CAD") to United States dollars ("USD"). The change in presentation currency was to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the new presentation currency had always been the Company's presentation currency. As a result, comparative figures in the consolidated statements of changes in equity have been restated in USD, the Company's new presentation currency.

##### **Commercial production**

During the year ended June 30, 2019 the Company determined commercial production was achieved for the Moss Mine on September 1, 2018. As a result, December 2018 comparative revenue and production cost figures for the six months ended December 31, 2018 shown in the statements of loss and comprehensive loss represent transactions for the four months ended December 31, 2018. Prior to the commencement of commercial production on September 1, 2018 revenue and production costs were capitalized within construction in progress.

##### **Share-based payments**

The Company measures equity settled share-based payments based on their fair value at grant date and recognizes compensation expense in profit or loss over the vesting period. Fair value for Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") is determined using the Company's share price at the grant date and the corresponding liability is marked to market at each subsequent reporting date.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures many vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflect the revised estimate.

# **NORTHERN VERTEX MINING CORP.**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Three and Six Months Ended December 31, 2019 and 2018**

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

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### **3 Significant accounting policies (continued)**

#### **Changes in significant accounting policies**

The Company adopted IFRS 16, Leases ("IFRS 16") on July 1, 2019. IFRS 16 introduced a single, on-balance sheeting accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company elects to not apply IFRS 16 to leases with a term of less than twelve months or leases where the underlying asset is of low value. Lessor accounting remains similar to previous accounting policies.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 has not been restated.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after July 1, 2019.

The Company leases various assets including equipment that had previously been classified as operating leases under IAS 17. On transition, lease liabilities for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of July 1, 2019. The average incremental borrowing rate at July 1, 2019 was 9.46%. The Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

On initial adoption, the Company used the following practical expedients as permitted by the standard when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term remaining.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities for its leases, resulting in an increase to property, plant and equipment of \$190 at July 1, 2019. A corresponding lease liability was recognized for \$190 in other long-term liabilities. Right-of-use assets are presented within plant and equipment and lease liabilities are presented within lease obligation in the statement of financial position.



# NORTHERN VERTEX MINING CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended December 31, 2019 and 2018

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

### 3 Significant accounting policies (continued)

A reconciliation of lease commitments as reported at June 30, 2019 to the lease liabilities recorded at July 1, 2019 is as follows:

|   |           |            |
|---|-----------|------------|
| Operating lease commitments at June 30, 2019  | \$        | 443        |
| Impact of discounting using the incremental borrowing rate at July 1, 2019            |           | (50)       |
| Recognition exemption for leases with less than twelve months of lease term remaining |           | (203)      |
| <b>Lease liabilities recognized as at July 1, 2019</b>                                | <b>\$</b> | <b>190</b> |

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than twelve months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as it presents underlying assets of the same nature that it owns. The Company presents lease liabilities within lease obligation in the statement of financial position.

# NORTHERN VERTEX MINING CORP.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended December 31, 2019 and 2018

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

### 3 Significant accounting policies (continued)

#### Impact on financial statements

Information about leases for which the Company is a lessee is presented below:

#### Right of use assets

|                                    |           |            |
|------------------------------------|-----------|------------|
| IFRS 16 lease recognition          | \$        | 190        |
| Additions                          |           | -          |
| Depreciation                       |           | (26)       |
| <b>Balance – December 31, 2019</b> | <b>\$</b> | <b>164</b> |

### 4 Trade and other receivables

|                              | December 31,<br>2019 |           | June 30,<br>2019 |
|------------------------------|----------------------|-----------|------------------|
| Trade accounts receivable    | \$ 7                 | \$        | 14               |
| Value-added taxes receivable | 15                   |           | 11               |
|                              | <b>\$ 22</b>         | <b>\$</b> | <b>25</b>        |

### 5 Inventory

|                               | December 31,<br>2019 |           | June 30,<br>2019 |
|-------------------------------|----------------------|-----------|------------------|
| Heap leach ore <sup>(1)</sup> | \$ 18,477            | \$        | 18,037           |
| Dore                          | 1,468                |           | 1,787            |
| Stockpiled ore                | 968                  |           | 389              |
| Consumables and supplies      | 389                  |           | 427              |
|                               | <b>\$ 21,302</b>     | <b>\$</b> | <b>20,640</b>    |

<sup>(1)</sup> For the year ended June 30, 2019 the Company revised its estimate of contained ounces in heap leach ore inventory. Accordingly heap leach ore inventory was written down by \$3,034. For the six months ended December 31, 2019 no additional write-down was incurred.

### 6 Mineral properties, plant and equipment

Mineral properties, plant and equipment for the six months ended December 31, 2019 and the year ended June 30, 2019 were as follows:

|   | Depletable<br>mineral<br>properties | Non-<br>depletable<br>mineral<br>properties | Plant and<br>equipment | Construction<br>in progress | Total            |
|---|-------------------------------------|---|------------------------|-----------------------------|------------------|
| <b>Cost</b>   |                                     |   |                        |                             |                  |
| Balance at June 30, 2019                                | \$ 29,807                           | \$ 2,614                                    | \$ 52,191              | \$ -                        | \$ 84,612        |
| Additions   | 153                                 | 964   | 1,701                  | -                           | 2,818            |
| <b>Balance at December 31, 2019</b>                     | <b>\$ 29,960</b>                    | <b>\$ 3,578</b>                             | <b>\$ 53,892</b>       | <b>\$ -</b>                 | <b>\$ 87,430</b> |
| <b>Accumulated Depreciation</b>                         |                                     |   |                        |                             |                  |
| Balance at June 30, 2019                                | \$ 3,051                            | \$ -  | \$ 8,405               | \$ -                        | \$ 11,456        |
| Depletion and depreciation                              | 2,062                               | -   | 3,704                  | -                           | 5,766            |
| Depletion and depreciation charge captured in inventory | (141)                               | -   | (251)                  | -                           | (392)            |
| <b>Balance at December 31, 2019</b>                     | <b>\$ 4,972</b>                     | <b>\$ -</b>                                 | <b>\$ 11,858</b>       | <b>\$ -</b>                 | <b>\$ 16,830</b> |
| <b>Net book value at December 31, 2019</b>              | <b>\$ 24,988</b>                    | <b>\$ 3,578</b>                             | <b>\$ 42,034</b>       | <b>\$ -</b>                 | <b>\$ 70,600</b> |

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**6 Mineral properties, plant and equipment (continued)**

|   | Depletable<br>mineral<br>properties | Non-<br>depletable<br>mineral<br>properties | Plant and<br>equipment | Construction<br>in progress | Total            |
|---|-------------------------------------|---|------------------------|-----------------------------|------------------|
| <b>Cost</b>   |                                     |   |                        |                             |                  |
| Balance at June 30, 2018                                | \$ 21,498                           | \$ 1,404                                    | \$ 2,573               | \$ 53,255                   | \$ 78,730        |
| Additions   | 2,529                               | 1,103                                       | 1,860                  | 390                         | 5,882            |
| Transfer from construction in progress                  | 5,780                               | 107   | 47,758                 | (53,645)                    | -                |
| <b>Balance at June 30, 2019</b>                         | <b>\$ 29,807</b>                    | <b>\$ 2,614</b>                             | <b>\$ 52,191</b>       | <b>\$ -</b>                 | <b>\$ 84,612</b> |
| <b>Accumulated Depreciation</b>                         |                                     |   |                        |                             |                  |
| Balance at June 30, 2018                                | \$ -                                | \$ -  | \$ 1,558               | \$ -                        | \$ 1,558         |
| Depletion and depreciation                              | 1,838                               | -   | 4,126                  | -                           | 5,964            |
| Depletion and depreciation charge captured in inventory | 1,213                               | -   | 2,721                  | -                           | 3,935            |
| <b>Balance at June 30, 2019</b>                         | <b>\$ 3,051</b>                     | <b>\$ -</b>                                 | <b>\$ 8,405</b>        | <b>\$ -</b>                 | <b>\$ 11,456</b> |
| <b>Net book value at June 30, 2019</b>                  | <b>\$ 26,756</b>                    | <b>\$ 2,614</b>                             | <b>\$ 43,786</b>       | <b>\$ -</b>                 | <b>\$ 73,156</b> |

Depletable mineral properties consist of the Moss Mine. Non-depletable mineral properties consist of exploration on the Moss Property and the Silver Creek Property, which are separate from the Moss Mine.

**Moss Mine Property** – Mohave County, Arizona

The Company owns 100% of the Moss Mine and has royalty agreements with various parties whereby the Company pays net smelter returns ("NSR") royalties ranging from 1% to 3% on certain patented and unpatented claims related to the Moss Mine.

In addition, a royalty of up to \$15 per troy ounce of gold produced and up to \$0.35 per troy ounce of silver produced is payable to a non-related party.

**Silver Creek Property** – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI \$5 and issued 100,000 common shares of the Company upon execution of the agreement.

On June 28, 2017, the Company entered into an amendment to the mineral lease and option agreement to defer the minimum work commitment of \$200 from May 7, 2017 to May 7, 2019.

On August 2, 2019, the Company entered into an amendment to the mineral lease and option agreement to reduce the minimum work commitment of \$200 by May 7, 2019 to \$68 (completed). Upon the execution of the amendment the Company must meet the following commitments:

- i. Pay LCI \$10 cash (paid) and fund a minimum of \$15 (completed) on work commitments by May 7, 2015;
- ii. Pay LCI \$20 cash (paid) and fund a minimum of \$20 (completed) on work commitments by May 7, 2016;
- iii. Pay LCI \$30 cash (paid) by May 7, 2017 and \$20 cash (paid) by July 28, 2017;
- iv. Pay LCI \$45 cash by May 7, 2018 (paid);
- v. Pay LCI \$50 cash (paid) by May 7, 2019 and fund a minimum of \$68 on work commitments by May 7, 2019 (completed); and
- vi. Pay LCI \$25 cash every six months, thereafter.

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### 6 Mineral properties, plant and equipment (continued)

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling \$4,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once \$4,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

### 7 Trade and other payables

|                        | December 31,<br>2019 | June 30,<br>2019 |
|------------------------|----------------------|------------------|
| Trade accounts payable | \$ 6,345             | \$ 5,084         |
| Accrued liabilities    | 3,419                | 2,369            |
|                        | <b>\$ 9,764</b>      | <b>\$ 7,453</b>  |

### 8 Debt

|                               | Note  | December 31,<br>2019 | June 30,<br>2019 |
|-------------------------------|-------|----------------------|------------------|
| Convertible debentures – 2016 | (i)   | 4,396                | 4,134            |
| Convertible debentures – 2018 | (ii)  | -                    | 5,916            |
| Debt facility – 2019          | (iii) | -                    | 2,973            |
| Convertible debenture – 2019  | (iv)  | 8,405                | -                |
| Gold call option facility     | (v)   | 1,635                | -                |
| Equipment loans, net of costs | (vi)  | 123                  | 171              |
|                               |       | <b>\$ 14,559</b>     | <b>\$ 13,194</b> |
| Current portion of debt       | 26    | <b>(10,142)</b>      | <b>(8,989)</b>   |
|                               |       | <b>\$ 4,417</b>      | <b>\$ 4,205</b>  |

(i) Convertible debentures – 2016:

The unsecured convertible debentures issued in fiscal 2017 mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of C\$0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

|                               | December 31,<br>2019 | June 30,<br>2019 |
|-------------------------------|----------------------|------------------|
| Balance, beginning of period  | \$ 4,134             | \$ 3,847         |
| Converted debentures          | -                    | (137)            |
| Interest accretion            | 227                  | 398              |
| Foreign exchange movement     | 35                   | 26               |
| <b>Balance, end of period</b> | <b>\$ 4,396</b>      | <b>\$ 4,134</b>  |

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**8 Debt (continued)**

(ii) Convertible debentures – 2018

On January 17, 2018 and March 7, 2018, the Company completed two tranches of an unsecured subordinated non-revolving loan facility in the amount of \$3,000 each for a total of \$6,000.

The convertible debentures matured on January 31, 2020 at which time the principal amount was to be repaid in full, subject to the holder having not elected to convert the principal amount outstanding. The convertible debentures bore interest at 12% per annum, payable quarterly in arrears in cash and are convertible at the holder's option at any time prior to the maturity date.

On October 3, 2019 the Company consolidated and extended the maturity date of the convertible debentures to December 1, 2020 (Note 8 iv).

|   | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|---|------------------------------|------------------|
| Balance, beginning of period                    | \$ 5,916                     | \$ 5,763         |
| Interest accretion                              | 47                           | 153              |
| Consolidation of convertible debentures         | <b>(6,000)</b>               | -                |
| Loss on consolidation of convertible debentures | 37                           | -                |
| Balance, end of period                          | \$ -                         | \$ 5,916         |

(iii) Debt facility – 2019

On November 5, 2018 the Company entered into a definitive agreement in respect of an unsecured non-revolving loan facility for up to \$10,000, bearing interest at 12% per annum, payable quarterly in arrears in cash, and available to be drawn in up to five tranches. The first two tranches totalling \$5,000 were drawn and were repayable by October 3, 2019 with the first tranche of \$2,500 convertible into common shares of the Company at C\$0.30 per common share.

On October 3, 2019 the Company consolidated and extended the maturity date of the convertible portion of the facility to December 1, 2020 (Note 8 iv) and paid the non-convertible principal payment portion.

|   | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|---|------------------------------|------------------|
| Balance, beginning of period            | \$ 2,973                     | \$ -             |
| Issued                                  | -                            | 5,000            |
| Financing costs                         | 9                            | (77)             |
| Principal payments                      | <b>(500)</b>                 | (2,000)          |
| Interest accretion                      | 18                           | 50               |
| Consolidation of convertible debentures | <b>(2,500)</b>               | -                |
| Balance, end of period                  | \$ -                         | \$ 2,973         |

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**8 Debt (continued)**

(iv) Convertible debenture – 2019

On October 3, 2019 the Company consolidated and extended the maturity date of the 2018 convertible debentures (\$6,000) and the convertible portion of the 2019 debt facility (\$2,500) to December 1, 2020 (\$8,500) under a replacement convertible debenture the "Convertible Debenture". The convertible debenture bears interest at 12% per annum, payable quarterly in arrears in cash, can be converted at a price of C\$0.30 per common share and includes an arrangement fee of 3% payable on January 31, 2020. The Company may elect to prepay in cash up to \$4,500 of the convertible debenture if the closing price of the Company's shares is at or above C\$0.45 for 20 consecutive trading days. The Company may exercise this option prior to the maturity date, on ten business days' notice, and subject to the holder electing not to convert such prepayment amount during such ten-business day period. On such prepayment, the Company will be required to pay an amount equal to the interest it would otherwise have incurred had the debenture been repaid at the maturity date, plus the arrangement fee. The Company determined the consolidation and extending of the 2018 convertible debentures and the 2019 debt facility to the convertible debenture did result in a substantial modification of the financial instruments and therefore extinguishes the 2018 convertible debentures and the 2019 debt facility.

The convertible debenture is deemed to contain multiple embedded derivatives (the "Conversion Component") relating to the conversion option and a conversion price fixed in CAD. The conversion component's fair value was estimated to be \$741 using the Black Scholes option-pricing model and calibrated volatility. Fair value gains and losses at each reporting period are recorded in the consolidated statements of loss and comprehensive loss. The following assumptions were used when valuing the conversion component:

|                                   |                   |   |
|-----------------------------------|-------------------|---|
| Risk-free interest rate           | <b>1.69%</b>      | - |
| Expected life                     | <b>0.92 years</b> | - |
| Dividend rate                     | <b>Nil</b>        | - |
| Calibrated share price volatility | <b>21%</b>        | - |

The components of the convertible debenture - 2019 are as follows:

|   | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|---|------------------------------|------------------|
| Balance, beginning of period            | \$ -                         | \$ -             |
| Consolidation of convertible debentures | <b>8,500</b>                 | -                |
| Financing costs                         | <b>(274)</b>                 | -                |
| Interest accretion                      | <b>188</b>                   | -                |
| Conversion component revaluation        | <b>(9)</b>                   | -                |
| Balance, end of period                  | <b>\$ 8,405</b>              | \$ -             |

(v) Gold call option facility

During the six months ended December 31, 2019 6,000 Gold Call Options (Note 11) were exercised at a strike price of \$1,200 per ounce and a market price of \$1,526 per ounce. The Company and the holder agreed to cash repayments in equal instalments over a twelve month period, plus interest at a rate of 10% per annum beginning September 30, 2019 (Note 26).

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**8 Debt (continued)**

|                               | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|-------------------------------|------------------------------|------------------|
| Balance, beginning of period  | \$ -                         | \$ -             |
| Issued                        | <b>1,962</b>                 | -                |
| Principal payments            | <b>(327)</b>                 | -                |
| <b>Balance, end of period</b> | <b>\$ 1,635</b>              | \$ -             |

(vi) Equipment loans

At December 31, 2019, the Company had equipment loans outstanding totalling \$123 (June 30, 2019 - \$171) at interest rates ranging from 4.34% to 11.99% with monthly payments of \$9.

**9 Leases**

During the year ended June 30, 2018, the Company executed a definitive Master Lease Agreement (the "MLA") for up to \$9,000 of equipment purchases. The significant terms and conditions of the MLA include: a maximum of \$9,000 available to fund equipment purchases with 10% to 30% due as advance payments at lease commencement, fixed quarterly payments over a four year lease period, interest rate of 3-month USD LIBOR plus additional interest rates ranging from 5.00% to 6.25% per annum and the right to buy the equipment at the end of the lease period for nominal consideration. The MLA is secured with the acquired assets in favour of the lender and a guarantee from the Company.

During the six months ended December 31, 2019, \$291 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. During the year ended June 30, 2019, \$538 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. The security deposit will be repaid in three instalments of \$288, \$288 and \$291 due no later than January 1, 2020, April 1, 2020 and July 1, 2020 respectively.

Minimum lease payments and present value of lease obligations is as follows:

|   | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|---|------------------------------|------------------|
| Balance, beginning of period                  | \$ 4,877                     | \$ 6,595         |
| IFRS 16 lease obligation recognition (Note 3) | <b>190</b>                   | -                |
| Principal payments                            | <b>(602)</b>                 | (1,688)          |
| Finance charges                               | <b>(37)</b>                  | (30)             |
|   | <b>4,428</b>                 | 4,877            |
| Current portion of finance lease              | <b>(2,045)</b>               | (1,551)          |
| <b>Balance, end of period</b>                 | <b>\$ 2,383</b>              | \$ 3,326         |

|                                | <b>Within 1<br/>Year</b> | <b>2-5 Years</b> | <b>Total</b> |
|--------------------------------|--------------------------|------------------|--------------|
| Future minimum lease payments  | 2,271                    | 2,595            | 4,866        |
| Finance charges                | (226)                    | (212)            | (438)        |
| Present value of finance lease | \$ 2,045                 | \$ 2,383         | \$ 4,428     |

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**10 Silver stream**

During the year ended June 30, 2019, the Company entered into a \$20,000 silver streaming transaction with an effective date of October 1, 2018. Under the terms of the agreement the Company will deliver 100% (reducing to 50% after 3,500,000 ounces are delivered) of payable silver production from the Moss Mine over the life of the mine on a monthly basis. Deliveries are subject to a ratio of silver to actual gold produced which, in the event the ratio is not met, the Company would be required to purchase and deliver silver ounces required to achieve the ratio. The silver stream is secured with a first charge over assets.

In addition to the silver advance of \$20,000, the Company will receive 20% of the average spot silver price at the time each ounce of silver is delivered. The Company recognizes silver revenue for silver ounces delivered under the arrangement at the spot price at the time of delivery. The silver advance is reduced by silver ounces delivered at the forward spot price at the inception of the agreement, offset by the financial liabilities accretion over the life of the mine.

The silver stream has been accounted for as a financial liability with an embedded derivative which relates to changes in silver price and expected production. The financial liability is measured at amortized cost. The embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of loss and comprehensive loss. At December 31, 2019, the fair value of the embedded derivative was \$6,632 (Note 13).

|                                  | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|----------------------------------|------------------------------|------------------|
| Balance, beginning of period     | \$ 20,669                    | \$ -             |
| Silver advance                   | -                            | 20,000           |
| Financing costs                  | -                            | (236)            |
| Silver deliveries                | (1,849)                      | (715)            |
| Settlement loss (gain)           | 333                          | (548)            |
| Interest accretion               | 1,922                        | 2,168            |
|                                  | <b>21,075</b>                | 20,669           |
| Current portion of silver stream | (6,108)                      | (4,450)          |
| <b>Balance, end of period</b>    | <b>\$ 14,967</b>             | <b>\$ 16,219</b> |

**11 Gold call options**

|  | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|--|------------------------------|------------------|
| Balance, beginning of period           | \$ 1,349                     | \$ 505           |
| Gold Call Options revaluation          | 613                          | 844              |
| Exercise of gold call options (Note 8) | (1,962)                      | -                |
| <b>Balance, end of period</b>          | <b>\$ -</b>                  | <b>\$ 1,349</b>  |

During the year ended June 30, 2017 the Company issued Gold Call Options to purchase 6,000 ounces of gold at an exercise price of \$1,350 per ounce. Pursuant to amendments to the Facility agreement, the exercise price was reduced \$1,200 per ounce. During the six months ended December 31, 2019 the option holder exercised the options at a price of \$1,200 per ounce and a market price of \$1,526 per ounce. The Company and the holder agreed to cash repayments in equal instalments over a twelve month period, plus interest at a rate of 10% per annum beginning September 30, 2019 (Note 8).



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### 11 Gold call options (continued)

The fair value of the Gold Call Options was calculated when issued and are revalued each subsequent reporting period using the Black-Scholes option pricing model with the fair value gain or loss recorded in the consolidated statements of loss and comprehensive loss. The following assumptions were used when valuing the options:

|                                  | June 30,<br>2019 | At Issue |
|----------------------------------|------------------|----------|
| Exercise price (\$ per ounce)    | \$1,200          | \$1,350  |
| Gold price (\$ per ounce)        | \$1,409          | \$1,303  |
| Volatility                       | 9.5%             | 14.5%    |
| Interest rate                    | 1.47%            | 0.52%    |
| Expected life of options (years) | 0.85             | 2.5      |

### 12 Provision for reclamation

|                               | December 31,<br>2019 | June 30,<br>2019 |
|-------------------------------|----------------------|------------------|
| Balance, beginning of period  | \$ 2,198             | \$ 1,766         |
| Change in estimate            | 77                   | 387              |
| Accretion                     | 22                   | 45               |
| <b>Balance, end of period</b> | <b>\$ 2,297</b>      | <b>\$ 2,198</b>  |

The Company's provision for reclamation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 1.68% and a long-term inflation rate of 2%, with expenditures anticipated over a ten year period beginning in 2028. The provision is remeasured at each reporting date. Accretion expense is recognized in the consolidated statements of loss and comprehensive loss. Prior to the commencement of commercial production on September 1, 2018 accretion expense was capitalized to mineral properties.

The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of December 31, 2019, was \$2,763.

### 13 Derivatives

|                                   | Note | December 31,<br>2019 | June 30,<br>2019 |
|-----------------------------------|------|----------------------|------------------|
| Warrants                          | (i)  | \$ 3,185             | \$ 2,609         |
| Silver stream embedded derivative | (ii) | 6,632                | 1,956            |
|                                   |      | \$ 9,817             | \$ 4,565         |
| Current portion of derivatives    | (ii) | (999)                | -                |
|                                   |      | <b>\$ 8,818</b>      | <b>\$ 4,565</b>  |

(i) Warrants:

The Company's functional currency is in USD. As the exercise price of the Company's share purchase warrants is fixed in CAD, a variable amount of cash in the Company's functional currency will be received on warrant exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivatives at fair value through the consolidated statements of loss and comprehensive loss at each reporting period. The fair value of warrants issued is estimated using the Black-Scholes option-pricing model.

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**13 Derivatives (continued)**

The following assumptions were used for the Black–Scholes valuation of warrants issued:

|  | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|--|------------------------------|------------------|
| Risk-free interest rate                            | <b>1.69%</b>                 | 1.47%            |
| Expected life of warrants                          | <b>1.0 – 1.4 years</b>       | 1.5 – 1.7 years  |
| Dividend rate                                      | <b>Nil</b>                   | Nil              |
| Expected share price volatility                    | <b>82 - 85%</b>              | 72 - 76%         |
| Fair value per warrant issued and/or amended (C\$) | <b>\$0.07-\$0.08</b>         | \$0.05-\$0.07    |

|  | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|--|------------------------------|------------------|
| Balance, beginning of period                         | \$ <b>2,609</b>              | \$ -             |
| Issuance of warrants in private placements (Note 14) | -                            | 2,971            |
| Change in fair value                                 | <b>544</b>                   | (471)            |
| Foreign exchange movement                            | <b>32</b>                    | 109              |
| <b>Balance, end of period</b>                        | <b>\$ 3,185</b>              | \$ 2,609         |

(ii) Silver stream embedded derivative:

The silver stream embedded derivative is valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation is the silver forward curve price, long-term silver production volatility, the risk-free interest rate and the Company's credit spread.

The valuation of the silver stream embedded derivative also required estimation of the Company's anticipated production schedule of silver ounces delivered over the life of mine.

|  | <b>December 31,<br/>2019</b> | June 30,<br>2019 |
|--|------------------------------|------------------|
| Balance, beginning of period                         | \$ <b>1,956</b>              | \$ -             |
| Change in fair value                                 | <b>4,676</b>                 | 1,956            |
|  | <b>6,632</b>                 | 1,956            |
| Current portion of silver stream embedded derivative | <b>(999)</b>                 | -                |
| <b>Balance, end of period</b>                        | <b>\$ 5,633</b>              | \$ 1,956         |

**14 Share capital, share option reserve and warrant reserve**

**a) Share capital**

Authorized share capital consists of an unlimited number of common shares without par value.

No private placements were completed during the six months ended December 31, 2019. Private placements completed during the year ended June 30, 2019 were as follows:

In February 2019, the Company closed a non-brokered private placement, issuing an aggregate of 14,624,074 units (each a "Unit") at a purchase price of C\$0.24 per Unit for gross proceeds of \$2,667. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of C\$0.40 per share for a period of two years from the date of issuance and were classified as a derivative liability (Note 13). Cash finder's fees of \$121 were paid to arm's length parties.

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### 14 Share capital, share option reserve and warrant reserve (continued)

In December 2018, the Company closed a non-brokered private placement, raising gross proceeds of \$8,000 and issued an aggregate of 44,596,666 units at a purchase price of C\$0.24 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of C\$0.40 until December 12, 2020 and were classified as a derivative liability (Note 13).

#### b) Shared-based compensation

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

Continuity of the Company's stock options issued and outstanding was as follows:

|                                   | December 31,<br>2019 |  | June 30,<br>2019     |  |
|-----------------------------------|----------------------|--|----------------------|--|
|                                   | Number of<br>options | Weighted average<br>exercise price (C\$) | Number of<br>options | Weighted average<br>exercise price (C\$) |
| Outstanding, beginning of period  | 14,154,583           | \$ 0.30                                  | 5,505,000            | \$ 0.47                                  |
| Granted                           | -                    | -  | 11,200,000           | 0.24                                     |
| Forfeited                         | (794,583)            | 0.44                                     | (1,865,417)          | 0.31                                     |
| Expired                           | -                    | -  | (685,000)            | 0.65                                     |
| <b>Outstanding, end of period</b> | <b>13,360,000</b>    | <b>\$ 0.29</b>                           | <b>14,154,583</b>    | <b>\$ 0.30</b>                           |

As at December 31, 2019, the following stock options were outstanding and exercisable:

| Exercise<br>price<br>(C\$) | Number of options<br>outstanding | Expiry date        | Number of options<br>exercisable | Remaining<br>contractual life<br>(years) |
|----------------------------|----------------------------------|--------------------|----------------------------------|--|
| 0.25                       | 1,375,000                        | February 24, 2020  | 1,375,000                        | 0.15                                     |
| 0.46                       | 1,175,000                        | July 15, 2021      | 1,175,000                        | 1.54                                     |
| 0.46                       | 250,000                          | September 14, 2021 | 250,000                          | 1.71                                     |
| 0.46                       | 200,000                          | October 26, 2021   | 200,000                          | 1.82                                     |
| 0.68                       | 450,000                          | September 29, 2022 | 450,000                          | 2.75                                     |
| 0.52                       | 200,000                          | May 20, 2023       | 200,000                          | 3.39                                     |
| 0.24                       | 8,510,000                        | February 27, 2024  | 4,130,000                        | 4.16                                     |
| 0.24                       | 1,200,000                        | May 21, 2024       | 600,000                          | 4.39                                     |
|                            | <b>13,360,000</b>                |                    | <b>8,380,000</b>                 | <b>3.40</b>                              |

The weighted-average remaining contractual life of options outstanding at June 30, 2019 was 3.49 years.

#### c) Share-based compensation expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the condensed interim consolidated statements of loss and comprehensive loss for the six months ended December 31, 2019 totalled \$415 (2018: \$114).

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**14 Share capital, share option reserve and warrant reserve (continued)**

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

|                          |                  |
|--------------------------|------------------|
|                          | June 30,<br>2019 |
| Risk-free interest rate  | 1.39%-1.80%      |
| Expected life of options | 5.0 years        |
| Dividend rate            | Nil              |
| Expected forfeiture rate | 0%               |
| Expected volatility      | 105%-106%        |

There were no options issued during the six months ended December 31, 2019.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

**d) Share unit plan**

The Company has a share unit plan whereby Restricted Share Units (RSUs) and Performance Share Units (PSUs) may be granted to employees, consultants, directors and officers of the Company. The current maximum number of share units authorized for issue under the share unit plan is 6,000,000. Once vested, at the option of the Company, each share unit entitles the participant to receive one common share of the Company at the end of a specified period or a right to receive an amount of cash equal to the market value of the vested share unit on the payment date.

Currently, the Company has granted RSUs. These RSUs are cash settled and vest as follows: one half on the 12 month anniversary of the grant date and one half on the 24 month anniversary of the grant date. During the period ended December 31, 2019 a total of 3,000,000 RSUs were granted to employees of the Company. Continuity of the Company's RSUs and PSUs issued and outstanding is as follows:

|                                   |                              |                          |
|-----------------------------------|------------------------------|--------------------------|
|                                   | <b>December 31,<br/>2019</b> | <b>June 30,<br/>2019</b> |
| Outstanding, beginning of period  | -                            | -                        |
| Granted                           | 3,000,000                    | -                        |
| <b>Outstanding, end of period</b> | <b>3,000,000</b>             | -                        |

As at December 31, 2019, the following RSUs and PSUs were outstanding and exercisable:

| Exercise price (C\$) | Number of share units outstanding | Expiry date     | Number of share units exercisable | Remaining contractual life (years) |
|----------------------|-----------------------------------|-----------------|-----------------------------------|------------------------------------|
| -                    | 3,000,000                         | October 9, 2021 | -                                 | 1.78                               |

Share-based compensation expense relating to cash settled-awards recognized in the condensed interim consolidated statements of loss and comprehensive loss for the six months ended December 31, 2019 totalled \$116 (2018: \$nil).

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### 14 Share capital, share option reserve and warrant reserve (continued)

#### e) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Share purchase warrants issued during the year ended June 30, 2019 have been classified as derivative liabilities (Note 13). Continuity of warrants issued and outstanding for the six months ended December 31, 2019 and the year ended June 30, 2019 were as follows:

|                                   | December 31,<br>2019  |  | June 30,<br>2019      |  |
|-----------------------------------|-----------------------|--|-----------------------|--|
|                                   | Number of<br>warrants | Weighted average<br>exercise price (C\$) | Number of<br>warrants | Weighted average<br>exercise price (C\$) |
| Outstanding, beginning of period  | 96,205,547            | \$ 0.58                                  | 46,682,807            | \$ 0.82                                  |
| Issued                            | -                     | -  | 59,220,740            | 0.40                                     |
| Expired                           | (516,600)             | 0.50                                     | (9,698,000)           | 0.65                                     |
| <b>Outstanding, end of period</b> | <b>95,688,947</b>     | <b>\$ 0.58</b>                           | <b>96,205,547</b>     | <b>\$ 0.58</b>                           |

As at December 31, 2019, the Company had outstanding share purchase warrants as follows:

| Number of warrants | Exercise price (C\$) | Expiry date        |
|--------------------|----------------------|--------------------|
| 2,311,538          | 0.68                 | April 27, 2020     |
| 44,596,666         | 0.40                 | December 12, 2020  |
| 11,112,500         | 0.40                 | February 20, 2021  |
| 3,511,574          | 0.40                 | February 27, 2021  |
| 5,356,804          | 1.00                 | March 24, 2021     |
| 13,960,000         | 1.04                 | June 9, 2022       |
| 2,676,250          | 1.04                 | July 13, 2022      |
| 11,924,615         | 1.04                 | July 19, 2022      |
| 239,000            | 1.04                 | September 14, 2022 |
| <b>95,688,947</b>  | <b>\$ 0.63</b>       |                    |

The weighted average remaining life of the outstanding warrants as at December 31, 2019 was 1.45 years (June 30, 2019: 2.19 years).

### 15 Revenue

Revenue shown below represents revenue for the three and six months ended December 31, 2019, and the three and four months ended December 31, 2018, as September 2018 was the first month of commercial production. Prior to the commencement of commercial production on September 1, 2018, gold and silver revenue was recorded as a reduction of costs capitalized within construction in progress.

Revenue by metal for the three and six months ended December 31, 2019 and the three and four months ended December 31, 2018 were as follows:

|                                | Three Months Ended<br>December 31, |          | Six Months Ended<br>December 31, |          |
|--------------------------------|------------------------------------|----------|----------------------------------|----------|
|                                | 2019                               | 2018     | 2019                             | 2018     |
| Gold sales                     | \$ 10,224                          | \$ 5,678 | \$ 23,594                        | \$ 6,810 |
| Silver sales                   | 1,068                              | 177      | 2,329                            | 240      |
|                                | <b>11,292</b>                      | 5,855    | <b>25,923</b>                    | 7,050    |
| Treatment and refining charges | (39)                               | (63)     | (120)                            | (74)     |
|                                | <b>\$ 11,253</b>                   | \$ 5,792 | <b>\$ 25,803</b>                 | \$ 6,976 |

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### 16 Production costs

Production costs shown below represent production costs for the three and six months ended December 31, 2019, and the three and four months ended December 31, 2018, as September 2018 was the first month of commercial production. Prior to the commencement of commercial production on September 1, 2018, production costs were capitalized within construction in progress.

|  | Three Months Ended<br>December 31, |          | Six Months Ended<br>December 31, |          |
|--|------------------------------------|----------|----------------------------------|----------|
|  | 2019                               | 2018     | 2019                             | 2018     |
| Contractors and outside services           | \$ 4,812                           | \$ 4,312 | \$ 9,068                         | \$ 5,496 |
| Employee compensation and benefits expense | 2,128                              | 1,895    | 4,257                            | 2,524    |
| Materials and consumables                  | 1,910                              | 1,808    | 3,849                            | 2,369    |
| Other expenses                             | 859                                | 630      | 1,724                            | 812      |
| Stock based compensation                   | 171                                | -        | 258                              | 41       |
| Changes in inventories                     | (1,649)                            | (3,750)  | (1,094)                          | (5,455)  |
|  | \$ 8,231                           | \$ 4,895 | \$ 18,062                        | \$ 5,787 |

### 17 Corporate administrative expenses

|                                     | Three Months Ended<br>December 31, |        | Six Months Ended<br>December 31, |          |
|-------------------------------------|------------------------------------|--------|----------------------------------|----------|
|                                     | 2019                               | 2018   | 2019                             | 2018     |
| Direct general and administrative   | \$ 359                             | \$ 434 | \$ 731                           | \$ 1,000 |
| Employee general and administrative | 182                                | 142    | 365                              | 273      |
| Share-based compensation            | 99                                 | 15     | 273                              | 73       |
| Depreciation and depletion          | 2                                  | 1      | 3                                | 4        |
|                                     | \$ 642                             | \$ 592 | \$ 1,372                         | \$ 1,350 |

### 18 Finance costs

|   | Three Months Ended<br>December 31, |            | Six Months Ended<br>December 31, |            |
|---|------------------------------------|------------|----------------------------------|------------|
|   | 2019                               | 2018       | 2019                             | 2018       |
| Interest on debt                                      | \$ (534)                           | \$ (2,581) | \$ (1,030)                       | \$ (2,881) |
| Accretion on silver stream (Note 10)                  | (966)                              | (303)      | (1,922)                          | (303)      |
| Amortisation of debt issuance costs (Note 8)          | (9)                                | (115)      | (24)                             | (121)      |
| Other interest accretion                              | (359)                              | (160)      | (545)                            | (301)      |
| Interest expense, including accretion and issue costs | (1,868)                            | (3,159)    | (3,521)                          | (3,606)    |
| Fair value loss on gold call options (Note 11)        | -                                  | (546)      | (613)                            | (634)      |
| Settlement loss on silver stream (Note 10)            | (38)                               | -          | (333)                            | -          |
| Fair value loss on derivatives (Note 13)              | (2,289)                            | (551)      | (5,220)                          | (551)      |
| Fair value gain on conversion component               | 9                                  | -          | 9                                | -          |
| Interest income                                       | 16                                 | 16         | 38                               | 30         |
|   | \$ (4,170)                         | \$ (4,240) | \$ (9,640)                       | \$ (4,761) |

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**19 Supplemental cash flow information**

The net change in non-cash working capital items included in mineral properties, plant and equipment were as follows:

|  | Three Months Ended<br>December 31, |          | Six Months Ended<br>December 31, |            |
|--|------------------------------------|----------|----------------------------------|------------|
|  | 2019                               | 2018     | 2019                             | 2018       |
| Accounts payable and accrued liabilities | \$ 485                             | \$ (605) | \$ 886                           | \$ (1,100) |

The net change in the Company's financing liabilities were as follows:

|                                     | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|-------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                     | 2019                               | 2018             | 2019                             | 2018             |
| Balance, beginning of period        | \$ 40,778                          | \$ 34,299        | \$ 38,740                        | \$ 34,549        |
| Proceeds from loan facilities, net  | -                                  | 4,825            | 1,962                            | 4,825            |
| Proceeds from silver streaming, net | -                                  | 19,615           | -                                | 19,615           |
| Repayment of debt                   | (688)                              | (20,912)         | (876)                            | (20,935)         |
| Repayment of leases                 | (303)                              | (5)              | (602)                            | (416)            |
| Other non-cash movements            | 275                                | 560              | 838                              | 744              |
| <b>Balance, end of period</b>       | <b>\$ 40,062</b>                   | <b>\$ 38,382</b> | <b>\$ 40,062</b>                 | <b>\$ 38,382</b> |

**20 Related party transactions**

Related party transactions were incurred in the normal course of business and initially measured at their fair value which is the amount of consideration established and agreed to by the parties. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Related party balances are as follows:

|                                   | December 31,<br>2019 | June 30,<br>2019 |
|-----------------------------------|----------------------|------------------|
| Shared office expenses receivable | \$ 6                 | \$ 9             |
| Consulting fees payable           | \$ 8                 | \$ 8             |

Related party transactions are as follows:

|                        | Note | Three Months Ended<br>December 31, |         | Six Months Ended<br>December 31, |         |
|------------------------|------|------------------------------------|---------|----------------------------------|---------|
|                        |      | 2019                               | 2018    | 2019                             | 2018    |
| Consulting fees        | (i)  | \$ 23                              | \$ 172  | \$ 46                            | \$ 224  |
| Shared office recovery | (ii) | \$ (9)                             | \$ (10) | \$ (16)                          | \$ (27) |

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in employee compensation and benefits expense, mineral properties, plant and equipment, and financing costs netted against debt.

(ii) Shared office expenses recovered from and charged to a company with directors in common are recorded in corporate administrative expenses.

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**20 Related party transactions (continued)**

**Commitments with related parties**

The Company has a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$8 (C\$10) and renews annually.

**Debt with a significant shareholder**

As at December 31, 2019, the Company has an outstanding convertible debenture (Note 8) with a significant shareholder. The facility can be converted into common shares at the holder's option.

Balances due to the significant shareholder are as follows:

|  | <b>December 31,</b> |              | June 30, |       |
|--|---------------------|--------------|----------|-------|
|  | <b>2019</b>         |              | 2019     |       |
| Convertible debentures – 2018 (Note 8) | \$                  | -            | \$       | 5,916 |
| Debt facility – 2019 (Note 8)          | \$                  | -            | \$       | 2,973 |
| Convertible debenture – 2019 (Note 8)  | \$                  | <b>8,405</b> | \$       | -     |

Transactions with the significant shareholder for the three and six months ended December 31, 2019 and 2018 were as follows:

|                      | <b>Three Months Ended</b> |      | <b>Six Months Ended</b> |      |
|----------------------|---------------------------|------|-------------------------|------|
|                      | <b>December 31,</b>       |      | <b>December 31,</b>     |      |
|                      | <b>2019</b>               | 2018 | <b>2019</b>             | 2018 |
| Principal repayments | \$ <b>500</b>             | \$ - | \$ <b>500</b>           | \$ - |
| Interest expense     | <b>287</b>                | 253  | <b>562</b>              | 439  |

**21 Key management personnel compensation**

The remuneration of the Company's directors and other key management personnel for the three and six months ended December 31, 2019 and 2018 is as follows:

|                                  | <b>Three Months Ended</b> |        | <b>Six Months Ended</b> |        |
|----------------------------------|---------------------------|--------|-------------------------|--------|
|                                  | <b>December 31,</b>       |        | <b>December 31,</b>     |        |
|                                  | <b>2019</b>               | 2018   | <b>2019</b>             | 2018   |
| Salaries and short-term benefits | \$ <b>191</b>             | \$ 189 | \$ <b>386</b>           | \$ 376 |
| Share-based payments             | \$ <b>111</b>             | \$ 18  | \$ <b>231</b>           | \$ 58  |

**22 Fair value measurements and financial risk management**

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.



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**22 Fair value measurements and financial risk management (continued)**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

The following tables present the carrying amounts and fair values of the Company's financial assets and liabilities, including their levels within the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

| As at December 31, 2019      | Carrying value                    |                |                        | Fair value |             |
|------------------------------|-----------------------------------|----------------|------------------------|------------|-------------|
|                              | Fair value through profit or loss | Amortized cost | Fair value through OCI | Level 1    | Level 2     |
| <b>Financial assets</b>      |                                   |                |                        |            |             |
| Cash                         | -                                 | 3,328          | -                      | 3,328      | -           |
| Restricted cash              | -                                 | 868            | -                      | 868        | -           |
|                              | \$ -                              | \$ 4,196       | \$ -                   | \$ 4,196   | \$ -        |
| <b>Financial liabilities</b> |                                   |                |                        |            |             |
| Current and long term debt   | -                                 | (14,559)       | -                      | -          | (14,559)    |
| Lease obligation             | -                                 | (4,428)        | -                      | -          | (4,428)     |
| Silver stream obligation     | -                                 | (21,075)       | -                      | -          | (21,075)    |
| Derivative liabilities       | (9,817)                           | -              | -                      | -          | (9,817)     |
|                              | \$ (9,817)                        | \$ (40,062)    | \$ -                   | \$ -       | \$ (49,879) |

| As at June 30, 2019          | Carrying value                    |                       |                             | Fair value |             |
|------------------------------|-----------------------------------|-----------------------|-----------------------------|------------|-------------|
|                              | Fair value through profit or loss | Loans and receivables | Other financial liabilities | Level 1    | Level 2     |
| <b>Financial assets</b>      |                                   |                       |                             |            |             |
| Cash                         | -                                 | 3,444                 | -                           | 3,444      | -           |
| Restricted cash              | -                                 | 869                   | -                           | 869        | -           |
|                              | \$ -                              | \$ 4,313              | \$ -                        | \$ 4,313   | \$ -        |
| <b>Financial liabilities</b> |                                   |                       |                             |            |             |
| Current and long term debt   | -                                 | (13,194)              | -                           | -          | (13,194)    |
| Lease obligation             | -                                 | (4,877)               | -                           | -          | (4,877)     |
| Silver stream obligation     | -                                 | (20,669)              | -                           | -          | (20,669)    |
| Derivative liabilities       | (4,565)                           | -                     | -                           | -          | (4,565)     |
| Gold call options            | (1,349)                           | -                     | -                           | -          | (1,349)     |
|                              | \$ (5,914)                        | \$ (38,740)           | \$ -                        | \$ -       | \$ (44,654) |

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

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#### **22 Fair value measurements and financial risk management (continued)**

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the condensed interim consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies.

##### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Trade and other receivables at December 31, 2019 related primarily to value-added taxes which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

##### (b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of budgets and forecasts, which are regularly monitored and updated as management considers necessary and through the Company's capital management activities. A summary of contractual maturities of financial liabilities is included in Note 24.

##### (c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

##### (i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. Some of the Company's operating and corporate administration expenditures are incurred in Canadian dollars and the fluctuation of the CAD in relation to USD will have an impact on the Company's profitability and the Company's financial assets and liabilities. The Company has assessed the impact to be low. At December 31, 2019 the Company held cash denominated in US\$3,228 and C\$77 (June 30, 2019: US\$2,117 and C\$5,538). The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

##### (ii) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions.

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**22 Fair value measurements and financial risk management (continued)**

The value of the silver stream embedded derivative will fluctuate with changes in the price of silver which will affect future earnings. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates, and is exposed to interest rate risk on its outstanding borrowings. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$33. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

**23 Capital management**

The Company manages its capital to ensure that it will be able to continue as a going concern (Note 1) while maximizing the return to stakeholders through the optimization of the debt and equity. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial adjustments according to market conditions to meet its objectives.

The capital structure of the Company consists of debt, convertible debt, share capital, share options, warrants, accumulated other comprehensive loss and deficit.

The Company is in compliance for externally imposed debt covenants relating to its debt facilities and lease obligations as at December 31, 2019.

**24 Commitments**

At December 31, 2019, the Company had the following contractual obligations outstanding:

|  | <b>Within 1<br/>year</b> | <b>2-3<br/>years</b> | <b>4-5<br/>years</b> | <b>5+<br/>years</b> | <b>Total</b>     |
|--|--------------------------|----------------------|----------------------|---------------------|------------------|
| Debt <sup>(1)</sup>                      | \$ 11,511                | \$ 4,278             | \$ -                 | \$ -                | \$ <b>15,789</b> |
| Trade and other payables                 | 9,764                    | -                    | -                    | -                   | <b>9,764</b>     |
| Lease commitments <sup>(2)</sup>         | 3,276                    | 2,514                | 25                   | -                   | <b>5,815</b>     |
| Provision for reclamation <sup>(3)</sup> | -                        | -                    | -                    | 2,763               | <b>2,763</b>     |
|  | <b>\$ 24,551</b>         | <b>\$ 6,792</b>      | <b>\$ 25</b>         | <b>\$ 2,763</b>     | <b>\$ 34,131</b> |

<sup>(1)</sup> Includes interest due on convertible debenture and debt.

<sup>(2)</sup> Includes lease obligation (Note 9) and lease commitments.

<sup>(3)</sup> Represents the undiscounted value of the reclamation provision.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Six Months Ended December 31, 2019 and 2018**

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)  
(Unaudited)

**25 Segmented information**

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. The consolidated statements of loss and comprehensive loss is composed substantially of activity in the USA except for corporate administrative expenses. Reporting by geographical area follows the same accounting policies as those used to prepare the condensed interim consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

|                     | <b>December 31,<br/>2019</b> |           |                  |                  |
|---------------------|------------------------------|-----------|------------------|------------------|
|                     | <b>Canada</b>                |           | <b>USA</b>       | <b>Total</b>     |
| Mineral properties  | \$                           | -         | \$ 28,566        | \$ 28,566        |
| Plant and equipment |                              | 15        | 42,019           | 42,034           |
| Restricted cash     |                              | -         | 868              | 868              |
|                     | <b>\$</b>                    | <b>15</b> | <b>\$ 71,453</b> | <b>\$ 71,468</b> |

  

|                     | <b>June 30,<br/>2019</b> |           |                  |                  |
|---------------------|--------------------------|-----------|------------------|------------------|
|                     | <b>Canada</b>            |           | <b>USA</b>       | <b>Total</b>     |
| Mineral properties  | \$                       | -         | \$ 29,370        | \$ 29,370        |
| Plant and equipment |                          | 12        | 43,774           | 43,786           |
| Restricted cash     |                          | -         | 868              | 868              |
|                     | <b>\$</b>                | <b>12</b> | <b>\$ 74,012</b> | <b>\$ 74,024</b> |

**26 Subsequent events**

Subsequent to December 31, 2019:

- The Company agreed to settle \$700 of principal and interest payments relating to the Gold call option facility through the issuance of 3,586,889 common shares at C\$0.253 per share.
- The Company granted 1,400,000 stock options to employees at an exercise price of C\$0.25 with a five year expiry period.
- 1,375,000 stock options of the Company with an exercise price of C\$0.25 expired.